

Inspections



- BOE routinely conducts inspections of all businesses selling cigarettes and/or tobacco products.
- Inspections are unscheduled but are conducted during normal business hours.
- Inspections are conducted by the Investigations Division staff of the BOE.

As a retailer of cigarette and tobacco products, you can expect the Board of Equalization to stop in for a routine inspection of your store. The law allows inspections to take place anywhere cigarettes or tobacco products are sold, produced, or stored. The inspections are not scheduled but will be conducted during normal business operating hours. These inspections are completed by the BOE's Investigations Division. The inspection will be performed in a reasonable manner and time, taking into consideration your business's operating hours, service to customers, or other retail functions.

Inspections

Inspectors will:

- Identify themselves.
- Explain the inspection process.
- Ask the person in charge for identification.



Upon arrival at your location, the inspectors will introduce themselves, show their Board of Equalization identification, provide their business cards, and explain the purpose of the inspection. The inspectors will ask the on-site person in control of your business, if they are the owner, manager, or employee and will also request identification.

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Inspectors will also:

- Request permission to conduct their inspection.
- Request access to any secured cigarette/tobacco storage areas.
- Check if your cigarette/tobacco license (LRQ) and seller's permit are posted.
- Confirm your business information.



Inspectors will ask where the cigarette and tobacco products are stored and request permission to inspect these areas. Inspectors will also ask for access to any secured storage areas. They will check to see if the cigarette and tobacco license and the seller's permit are posted. During the course of the inspection, the inspectors will also verify and update your registration information.

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- STAKE Act sign is posted.
- No sale of single sticks of cigarettes.
- Verify all cigarettes are listed on CA Tobacco Directory.
- Validate tax stamps.



A STAKE Act sign, which warns about sales to minors, is required to be posted by retailers selling cigarette and tobacco products. If one is not visible or the one you have is worn, the inspector will provide you with a new sign.

Be aware that it is illegal to sell single sticks of cigarettes.

During the course of the inspection, cigarettes will be visually inspected to make certain all cigarette packs are stamped with a California tax stamp. Cigarettes will also be scanned to verify that the tax stamps are valid.

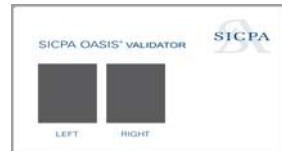
New Cigarette Tax Stamp

- New Design:
 - Primarily yellow-gold
 - Color shift
 - Unique 6-digit serial number

NEW



- Stamp Validator:
 - Checks for valid stamps
 - To purchase, call 916-760-8580



- Prior stamp is still valid

PRIOR



The BOE started distribution of the new California cigarette tax stamp in December 2010. Some of the new features of the stamp include a predominantly yellow-gold color, a color shifting effect from green to blue when tilted, and a unique 6-digit serial number. A “Stamp Validator” can be purchased to help you ensure the new tax stamps on your cigarette packs are authentic.

The prior California tax stamp already in circulation is still considered valid.

California Tobacco Directory

Only cigarettes and roll-your-own tobacco listed on the California Tobacco Directory can be:

- sold
- offered for sale, or
- possessed for sale in California

For the current list, check the Attorney General's website at: <http://ag.ca.gov/tobacco/directory.htm>



Only cigarette brands and roll-your-own tobacco products listed on the Attorney General's California Tobacco Directory may be sold, offered for sale, or possessed for sale in California. The directory lists both the brand name and manufacturer's name. Inspectors will verify that cigarette and tobacco products at your retail location are on the directory, making them legal to sell. Please note that as of September 22, 2009, all flavored cigarettes and roll-your-own tobacco were banned from sale in the United States and are subject to seizure. At this time, only menthol flavored cigarettes are exempt from this ban. You can obtain a copy of the directory by visiting the Attorney General's website.

AB 2496 – eff. Jan 1, 2011

Retailers can sell off tax-stamped cigarettes for **60** days from the effective date of the product's removal from the CA Tobacco Directory.

After the 60 days, the “delisted” products are subject to seizure and destruction.



A brand family removed from the California Tobacco Directory can no longer be sold in this state. Assembly Bill 2496, which went into effect on January 2, 2011, gives retailers financial hardship relief resulting from the loss of cigarette and tobacco product inventory when it is removed from the Tobacco Directory. When a product is removed from the Tobacco Directory, licensed retailers are now allowed to possess, transport and sell tax-stamped cigarettes for 60 days from the effective date of the product's removal. After the 60 days, the “delisted” product is subject to seizure and destruction.

Although licensed distributors are not required to take back “delisted” product from the licensed retailer who originally purchased the product, retailers may want to check with their distributor to determine if this is an option.

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We will also:

- Verify that all cigarettes comply with the California Cigarette Fire Safety and Firefighter Protection Act.
- Only cigarettes approved by the Office of the State Fire Marshall as self-extinguishing may be sold in California.



Inspectors will also verify all cigarettes comply with the California Cigarette Fire Safety and Firefighter Protection Act, also known as AB 178. Cigarettes purchased and sold after January 1, 2007, are required to be certified by the manufacturer and approved by the State Fire Marshal as self-extinguishing. Cigarettes listed on the California Tobacco Directory have been certified and approved by the State Fire Marshal.

Inspections



You can also expect us to:

- Ask for your last 12 months of purchase invoices for cigarette and tobacco products.
- Verify that excise tax is paid on all tobacco products.

Note: All tobacco products are considered untaxed unless proof of excise taxes paid is provided.

During the inspection, you will be asked to provide the last 12 months of your cigarette and tobacco purchase invoices. In part, the invoices are used to make sure the excise tax has been paid on all tobacco products. By statute, all tobacco products are considered untaxed unless proof is provided that the excise tax has been paid. A valid purchase invoice will confirm the payment of excise taxes.

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The inspectors will also:

- Verify that your invoices are valid and are from a licensed distributor or wholesaler.
- You can determine if a distributor's or wholesaler's license is valid on the BOE's website at www.boe.ca.gov.

Your purchase invoices will also be used to reconcile your cigarette and tobacco inventory on hand. While reviewing your invoices, inspectors will check to see if they are valid and purchased from a licensed wholesaler or distributor. Cigarette and tobacco product license numbers can be validated by checking the BOE's website.

Invoices

A valid purchase invoice must be legible and contain:

- Wholesaler's or Distributor's
 - name,
 - address,
 - telephone number, and
 - license number.
- Retailer's name, address, and license number.
- The amount of CA excise taxes paid.
- An itemized list of products purchased.
- Date of purchase.

Purchases invoices for cigarette and tobacco products must be legible, include the date of the purchase, an itemized list of products purchased and the name, address, telephone number, and license number of the wholesaler or distributor. It must also contain your name, address, and license number. The amount of excise taxes paid or a statement that excise taxes have been paid must also be included on the invoice. Purchase invoices that do not include all the required information may be considered invalid.

Sample of a Valid Purchase Invoice

MELISSA'S WHOLESALE

123 Wholesale Avenue
Anytown, CA 95000
(222) 555-1234
LD Q ET 90-000000

Invoice

Number 1066

Date: June 1, 2008

Bill To:

Joanna Shopkeeper
Linda's Smoke Shop
456 Smokey Drive
Anycity, CA 96000
LR Q ET 91-999999

Ship To:

Joanna Shopkeeper
Linda's Smoke Shop
456 Smokey Drive
Anycity, CA 96000
LR Q ET 91-999999

Description	Quantity	Price Each	Amount
COPENHAGEN	81.00	41.99	3,401.19
COPENHAGEN LONGCUT	63.00	20.99	1,322.37
COPENHAGEN POUCH	10.00	20.99	209.90
SKOAL STRAIGHT	9.00	41.99	377.91
SKOAL WINTERGREEN	9.00	41.99	377.91
SKOAL MINT	9.00	41.99	377.91
SKOAL FINECUT	9.00	41.99	377.91
Subtotal			6,445.10
Excise Tax			2,908.68
TOTAL			\$ 9,353.78

0 - 30 days	31 - 60 days	61 - 90 days	> 90 days	Total
\$9,353.78				\$9,353.78

This is an example of a valid purchase invoice. It contains all the necessary information previously mentioned and clearly shows that excise taxes have been paid on the purchase.

Invalid Invoice

Invalid Invoice:

- Missing wholesaler's or distributor's information that sold the tobacco products.
- Missing the retailer's address and license number.
- Does not show excise tax paid was paid.

04354

David Lane

CUSTOMER'S ORDER NO. [REDACTED] DATE *10/02/07*

NAME [REDACTED] 12:05 PM

ADDRESS [REDACTED]

CITY, STATE, ZIP *SPRING RAIN*

SOLD BY [REDACTED] CASH C.O.D. CHARGE ON ACCT. MOSE RETO PAID OUT

QUANTITY	DESCRIPTION	PRICE	AMOUNT
1	<i>OPEN HOGEN SNIFF</i>	<i>4625</i>	<i>46.25</i>
2	<i>OPEN HOGEN L.C</i>	<i>23.27</i>	<i>46.54</i>
2	<i>OPEN/SPK</i>	<i>31.00</i>	<i>62.00</i>
		<i>TOTAL DUE</i>	<i>154.79</i>
		<i>TOTAL DUE</i>	<i>154.79</i>

RECEIVED BY *RLN*

KEEP THIS SLIP FOR REFERENCE

5805

This is an example of an invalid invoice. It is missing much of the required invoice information. Invalid invoices will not be accepted as proof of excise taxes paid and may result in the seizure of your product. As a prudent business person, you should ensure your supplier provides you with a valid invoice.

Retailers with multiple locations...

Each licensed retail location should have its own inventory of tobacco products. But, if a retailer with multiple licensed locations has a need to transfer product between locations, the guidelines below should be followed:

- Prepare a transfer log or invoice at the time of transfer. The transfer log or invoice should include:
 - Your retail location & license information making the original purchase
 - Your retail location and license information where the product was transferred
 - Your supplier's name, license number, and date of original purchase
 - Detailed description and quantity of product transferred (i.e., type of package, flavor, style, etc.)

Each retail location should have its own inventory of cigarette and tobacco products with the purchase invoices maintained at that location. However, if a retailer with multiple retail locations finds it necessary to transfer some tobacco products from one of its licensed locations to another of its licensed locations, the following guidelines should be followed to ensure the proper transfer documentation is maintained for the products being transferred.

A transfer log should be prepared at the time of transfer. The transfer log should include:

- The retail location information and license number of the store that originally purchased the tobacco products.
- The retail location information and license number of the store where the product is being transferred.
- A legible list with detailed description and quantity of each product transferred. The detailed description should include such information as the type of packaging, flavor of the product, style, and any other information to fully identify the product.
- The supplier's name, license number and date of the original tobacco products purchase.

Retailers with multiple locations...cont.

- ❑ Your original purchase invoice kept at the location that originally purchased the product
- ❑ Copy of the original purchase invoice kept at the location where product was transferred.

Transfer of tobacco product is allowed **only** when the legal ownership (as registered with the BOE) of the store transferring the product is the same as the legal ownership of the store receiving the product.

For example:

Store Transferring Product	Store Receiving Product	Is It Allowed?
John Smith – sole proprietor	John Smith – sole proprietor	Yes
John Smith – sole proprietor	John Smith – corporate officer	No
John Smith – sole proprietor	John Smith – partner	No

A copy of the transfer log and copy of the supplier's original purchase invoice should be kept at both retail locations involved in the transfer.

Transfer documentation, including invoice(s) must be maintained for four years, and kept at each retail location involved in the transfer for at least 12 months from the date of transfer.

Transfer documentation must be made available to the Board or its representative upon request. Failure to provide such documentation can result in the seizure of the transferred tobacco products involved.

Please note that the transfer of tobacco product is allowed **only** when the “**legal**” owner of the retail location transferring the product is the same “**legal**” owner of the retail location receiving the product. If the “legal” owner of the two locations is not the same type of entity (as registered with the Board), the transfer would be considered illegal and the product would be subject to seizure.

Sample Log

Store Transferring Product	Store Receiving Product	Date of Transfer	Items Transferred	Original Purchase From
A Street Market 123 A Street Anywhere, CA LRQ 91-000000	B Street Market 123 B Street Anywhere, CA LRQ 91-111111	March 2, 2010	<ul style="list-style-type: none"> 50 packs Marlboro cigarettes, 100s 5 boxes Romeo y Juliet Cigars (25 ea) 	LD Tobacco Distributors LDQ 90-222222 February 14, 2010
A Street Market 123 A Street Anywhere, CA LRQ 91-000000	B Street Market 123 B Street Anywhere, CA LRQ 91-111111	January 31, 2011	<ul style="list-style-type: none"> 7 rolls Grizzly Long Cut, Mint (5 ea) 2 packs Black & Mild cigars, wine flavor (5 ea) 3 packs Black & Mild cigars, wine flavor, wood tip (5 ea) 	S&W Wholesale LWQ 90-333333 December 27, 2010

Note: The product transfer information in this presentation should be considered a guideline. However, the BOE is in the process of developing a regulation that will provide specific requirements retailers must follow with respect to product transfers. The public will have an opportunity to provide input once the proposed law is scheduled for a Public Meeting.

This is an example of a log transferring tobacco product from one licensed retail store to another licensed retail store. The store's information and cigarette and tobacco license number are provided for both the store transferring the product and the store receiving the product. The date of the transfer and a detailed description of the products transferred are included in the log, as well as the original supplier's information and date of purchase.

The lack of complete product transfer information and the proper invoice documentation could result in the seizure of tobacco products transferred and/or citation.